E/CONF.39/D/91
SUMMARY
15 Oct. 1962
ORIGINAL : ENGLISH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

SUMMARY

Agenda Item: D

Indonesia

INDUSTRIAL DEVELOPMENT OF INDONESIA

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INDUSTRIAL DEVELOPMENT OF INDONESIA

by

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1/. Whereas at the beginning of the industrial development programme the emphasis was on small industry using agricultural raw materials and gradually stepping up to full industrialization through revolutionary stages leaving the growth of the economy to the spontaneous forces of free enterprise, the latest Plan departed from this early concept and demanded a radical change of the traditional pattern of the economy through a programme of modern industrialization based on the availability of the natural resources and to be undertaken especially by the public sector.

2/. The application of science and technology aimed at improving the methods of production as well as introducing new techniques and up-to-date machinery and equipment, and this impact upon simple and traditional ways of production is quite substantial. When bigger projects in basic industries are to be planned and implemented, highly specialized knowledge and experts are required and the lack of adequate technological and research facilities forced the country to rely heavily on centres abroad in which case communicational problems arise. The need to combine experiences with the progress of technical know-how is of primary importance for developing nations in undertaking new and big projects and emphasis should be put upon the application of modern science and technology under the prevailing conditions and circumstances which less develcped countries usually have to cope with.

3/. Development institutions are very important in the execution of programmes and industrial projects. Their functions vary widely from one another, also the kind of equipment and necessary experts. There should be a close contact between the planning institutions and the executing agencies; their ideas and experiences should be exchanged mutually, the performances evaluated properly and the programmes should be adjusted constantly to changing conditions. The ideas of plans and programming once materialized in the physical execution of projects, should conform with the actual facts and realities and when necessary be altered, changed or adjusted to make the implementation possible.

4/ Experience in handling nationalized industrial enterprises from the point of view of the various aspects of management production, financing, industrial relations, marketing and organization, have taught us how important it is to plan carefully and set up plants and factories, especially in connection with the various aspects of production management such as lay-out, kind of processes, type of equipment and machinery, inspection and quality control, research and product development, production planning and control, etc. Once the plant is in operation, inefficiency and low productivity may be avoided if the various managerial aspects of running the enterprise have been carefully thought out and properly planned in advance. The existing industries play a significant role and can be used as an important tool in carrying out new development projects, but they should be consolidated, modernized, expanded and equipped with the necessary physical facilities as well as human skills to carry out their new functions properly.

5/ The pre-investment stage in the execution of development programmes is a prerequisite for success. Without sufficient work and study on the pre-investment stage, the implementation of projects might encounter obstacles that might not be overcome or only at such a high price that it would defeat its purpose. Especially if a project is a resource-oriented industry, the results of geological surveys and engineering studies must be the decisive factor for determining the technical feasibility, the location and the site of the plant. Economic overheads should not be overlooked and coordination among the various executing agencies should be properly maintained. To justify economically a project, other non-economic factors should also be considered although the emphasis on pure economic justification and technical feasibility must prevail.

6/. The application of modern science and technology in less developed countries should stimulate the existing forces to carry the impact even further and develop its own techniques and advance its own progress according to prevailing conditions and circumstances.

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